

## Message Text

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17

ACTION COME-00

INFO OCT-01 EA-07 ISO-00 EB-07 OMB-01 TRSE-00 AID-05

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 /067 W

----- 027031

R 212357Z AUG 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 1048

INFO AMEMBASSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 5005

E.O. 11652: GDS

TAGS: BEXP, EINV, MY

SUBJ: KAISER STEEL PROJECT

REF: A) KL 4298 B) STATE 192127

1. COMATT DISCUSSED KAISER PULLOUT DECISION WITH J. JAGATHESAN, DIRECTOR OF INVESTMENT PROMOTION, FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (FIDA). JAGATHESAN INDICATED FIDA BASICALLY UNDERSTOOD COMMERCIAL REASONS FOR KAISER DECISION, I. E., PROBLEMS WITH INTERNATIONAL OFFSHORE AND DOUBTS ABOUT MARKET. AT NO TIME, HOWEVER, DID HE INDICATE ANY KNOWLEDGE OF OTHER REASON MENTIONED REF B; FORMATION OF PETRONAS. HE FELT THAT JOHORE STATE ECONOMIC DEVELOPMENT CORPORATION (SEDC) PROBABLY OVERRACTING, ADDING THAT "CHANCE TO COMPLAIN TO AN AMBASSADOR RARELY COMES TO THESE CHAPS." HE MENTIONED THAT HE WOULD BE MEETING SEDC REPS NEXT WEEK AND WOULD ATTEMPT TO SOOTHE RUFFLED REATHERS. HE CATEGORICALLY STATED FEDERAL AUTHORITIES ARE NOT UPSET AT KAISER AND WOULD WELCOME REAWAKENING OF THEIR INTEREST IN PROJECT.

2. COMMENT. BASED ON INFO PROVIDED IN REF B, EMBASSY BELIEVES SEDC NOT ONLY PARTY IN TRANSACTION TO OVER-  
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REACT. KAISER'S ATTITUDE STRIKES US AS REMARKABLY

CONSERVATIVE AND UNSOPHISTICATED EXAMPLE OF RISK ANALYSIS. A NUMBER OF COMPANIES WITH SAME FEARS OF PETRONAS AND NATIONALIZATION HAVE BEGUN TO EXPLORE DIFFERENT MARKET ENTRY STRATEGIES TO PROTECT THEIR INVESTMENTS. FOR EXAMPLE, POSSIBILITY EXISTS FOR COMPANY IN KAISER'S POSITION TO ENTER JOINT VENTURE WITH EITHER PETRONAS, PERNAS OR SOME OTHER "BUMIPUTRA" SEMI-OFFICIAL GOVERNMENT AGENCY. WE HAVE NO RECORD THAT KAISER EVER CONSIDERED THIS POSSIBILITY. IN EMBASSY'S OPINION, KAISER SHOULD VIEW INVESTMENT DECISION IN MALAYSIA PURELY ON BASIS OF PROFITABILITY. IF, AS PARA 3, REF B SUGGESTS, THEIR ANALYSIS CASTS DOUBT ON POTENTIAL PROFITS OF VENTURE, THEY SHOULD, OF COURSE, NOT MAKE INVESTMENT. IF THEY FEEL OTHERWISE, KAISER REPS MIGHT WISH TO EXPLORE VARIOUS APPROACHES WHICH COULD MINIMIZE EXPROPRIATION RISKS.  
DILLON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, JOINT VENTURES, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**TAGS:** BEXP, EINV, MY, US, KAISER, PETRONAS  
**To:** STATE  
**Type:** TE  
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